

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L CARACAS 000152

SIPDIS

STATE FOR WHA/AND  
NSC FOR CBARTON  
TREASURY FOR OASIA-GIANLUCA SIGNORELLI  
HQ USSOUTHCOM FOR POLAD  
BUENOS AIRES FOR TREASURY-MHAARSAGER  
USDA FOR FAS/ITP BRIAN GRUNENFELDER  
USDA FOR FAS/ITP/DA PAT SHEIKH  
USDA FOR FAS/OAA ELLEN TERPSTRA  
USDA FOR FAS/OAA KEN ROBERTS

E.O. 12958: DECL: 01/20/2015

TAGS: [ECON](#) [EFIN](#) [PGOV](#) [VE](#)

SUBJECT: SHUFFLE OF ECONOMIC MINISTRIES - THE MORE, THE  
MERRIER

REF: A. 04 CARACAS 3536

[1](#)B. 04 CARACAS 3979

Classified By: ECONOMIC COUNSELOR RICHARD M. SANDERS FOR REASON 1.4 D

-----  
SUMMARY  
-----

[1](#)1. (C) President Chavez announced on January 9 several Ministerial changes. The Ministry of Production and Commerce has been divided, as has been the Ministry of Energy and Mines, and there are three new institutions: the Ministry of Light Industry and Commerce, the Ministry of Basic Industries and Mines, and the Ministry of Tourism. The former Ministry of Energy and Mines is now the Ministry of Energy and Petroleum. In addition, Chavez announced that there would be a new Minister of Agriculture and Land. This continued expansion of new Ministries, as when three other Ministries were added in September 2004 (ref A), serves no clear purpose. The real effect, besides confusion, may be to weaken private sector negotiations in those areas, as they will be forced to divide their efforts. The Agriculture Minister change is a strong signal of support for recent land interventions (ref B). END SUMMARY.

-----  
CHANGE IS GOOD - SO LET'S MAKE LOTS OF CHANGES  
-----

[1](#)2. (SBU) On January 11, when the new design of the weekly "Alo, Presidente" show was unveiled, President Hugo Chavez revealed the new design of his Cabinet, increasing the number of economic ministries for the second time in four months (ref A). The Ministry of Production and Commerce (MPC) is no more, its functions divided among the newly created Ministry of Light Industry and Commerce (MLIC), the Ministry of Basic Industries and Mines (MIBM), and the Ministry of Tourism. Wilmar Castro, who had been Minister of MPC, will head Tourism, while Edmee Betancourt, recently the Vice Minister of Industry in the MPC was promoted to Minister of MLIC, and Victor Alvarez raised to Minister of MIBM from President of the state-owned Bank of Foreign Commerce (BANCOEX). Some of the functions of the MIBM had been the responsibility of the Ministry of Energy and Mines, which will now be known as the Ministry of Energy and Petroleum. Rafael Ramirez remains as that Minister, in addition continuing as President of state oil corporation PDVSA. Finally, Chavez announced that the Minister of Agriculture and Land (MAT), Arnoldo Marquez, will be replaced by Antonio Albarran, who is presently the National Land Institute (INTI) Director in Barinas, Chavez's home state.

-----  
BUT WHAT DOES IT MEAN?  
-----

[1](#)3. (C) The very creation of new Ministries runs counter to what Chavez initially claimed he would do as President. In December 1998, two days after being elected, he said "We have the firm determination to reduce the number of ministries; with 11, 12 ministries maximum, I aspire to govern Venezuela in an efficient manner." He nearly succeeded in his goal, reducing the cabinet from 21 to 13 ministries in his first year in office. Since 2001, he has gone in the opposite direction, with the new total at 24 ministries - three more than when he assumed the Presidency. Yet the increase is allegedly for the same reason as the decrease - as Chavez said on the 9th, "I am always thinking on how to improve the team, its efficiency and quality."

[1](#)4. (C) How these changes can improve efficiency and quality is not clear. Taking the mining sector out of Ramirez's portfolio certainly lightens his load, which may have been

unmanageable simply because he was doing two jobs. It could also signify the de facto merger of the Ministry and PDVSA. However, as none of the new entities were included in the recently passed budget, their funding status is unclear. CONINDUSTRIA, the association which represents the manufacturing sector, has complained that this will negate all negotiations that had begun with MPC (as well as BANCOEX, perhaps). CONINDUSTRIA President Lope Mendoza noted that, instead of being able to negotiate with the MPC as a bloc, the sectors will be divided among the new ministries, thus reducing their bargaining ability.

15. (C) The change at MAT brings its own uncertainty, as Albarran (according to FAS contacts) is a near unknown in the Venezuelan agricultural industry, though he had also managed the Cuban-built sugar mill in Barinas state. However, the reasons for his appointment are clearer than the MPC changes. He is thought to be trusted by Chavez, and his background shows the direction that MAT will likely be taking in the future, and is a key sign of Presidential support for the land "interventions" that are taking place (ref B). Chavez hinted at accusations of corruption with the Ministry, saying that while "there might be some investigations," the change had nothing to do with them.

-----  
COMMENT  
-----

16. (C) We do not see big changes from the point of view of U.S. interests in Venezuela. The Agriculture Ministry is becoming ever less important an interlocutor for us, as key functions such as purchasing of food imports for the burgeoning MERCAL subsidized marketing program, as well as the issuing of import quotas and sanitary certificates are drifting to the new, separate Ministry of Food. As head of a new Ministry of Tourism, we expect Wilmar Castro to devote his energies principally to trying to get the new state-owned air carrier CONVIASA off the ground. (It is supposed to begin operations this month, but with an initial GOV investment of only USD 10 million, it is unlikely to have more than a symbolic presence for quite some time.) The creation of the new Ministries of Light Industry and Commerce and of Basic Industry and Mining may have some positive impact. A U.S.-owned glass company with a large presence here reports that it has had a good experience with Edmee Betancourt in her role as Industry Vice Minister, where she helped it obtain necessary tax exemptions to make a major new investment in re-tooling its operations. Energy Minister Ramirez's departure from the mining portfolio could be helpful. A U.S. firm with a diamond mining concession here had some of its property confiscated in an apparent shakedown attempt orchestrated by an attorney for artisanal miners; the company is suspicious that individuals in Ramirez's family were behind this action. Perhaps a new Minister will provide an opportunity to revisit this decision.  
McFarland

NNNN

2005CARACA00152 - CONFIDENTIAL